SLC Turnberry Limited

12810

Report and Financial Statements

31 December 2007

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Registered No SC177810

Directors
M P Wale
S Selbie
R L Scott

Secretary
S Haegeman

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
Turnberry Hotel
Ayrshire KA26 9LT

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The loss for the year, after taxation, amounted to £725,000 (2006 – loss of £374,000) The directors do not recommend the payment of any dividends (2006 – £nil)

Principal activities and review of the business

The company's principal activity during the year continued to be that of the operation of the Westin Turnberry Resort and associated leisure facilities The directors expect these activities to continue in the future

The company's key financial and other performance indicators during the year were as follows

	2007	*2006*
	£000	*£000*
Turnover	15,952	15,501
EBITDA	802	377
Loss after tax	(725)	(374)

	2007	*2006*
Customer satisfaction (score out of 10)	7 97	8 11
Employee satisfaction	71%	76%

Company revenue increased in 2007 across almost all revenue streams and was primarily due to strong groups' business and solid performance in the UK low season leisure business There continued to be a year on year reduction in the traditional US leisure business into the resort as a result of the weakness in the US dollar

EBITDA increased by £425,000 as a result of the continuing impact of a six sigma project to rework food and beverage concepts within the resort positively impacting payroll costs and other cost and profit driving initiatives

Customer satisfaction is a key performance indication to the company and all customer questionnaires are completed through an independent third party Customer satisfaction has remained at a high level, despite a marginal decrease in 2007

Directors' report

Principal risks and uncertainties

The company continues to look at risks and uncertainties during its budgeting process and monthly strategic meetings

- Competitive risks

The company operates at the upper end of the competitive Scottish resort market Risks are possible from either new competitor openings, but in the main from existing competitors investing in product refurbishments and expansion

- Economic risks

The company is reliant on healthy economies in all its major markets, being UK, USA and Europe The recent economic upheaval, in particularly in the US, poses some risk to the high end market as individuals experience reduced disposable income and companies look for cost saving exercises

- Exchange rate risks

A significant element of the company's revenues is dependant on non UK based businesses and therefore the exchange rates of major currencies (specifically USD) are potentially a risk to the company

Future developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years They consider that 2008 will show a further growth in sales, with increased occupancy and the average room rate The parent company is currently looking to find investors to work with for the resort At this stage a letter of intent has been signed and both parties are working towards a suitable conclusion

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees The company is an equal opportunities employer

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public Company policies in this regard are regularly reviewed with the objective of ensuring that these standards are achieved

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various matters affecting the performance of the company This is achieved through formal and informal meetings

Directors

The directors who served the company during the year were as listed on page 1

Directors' report

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment

At 31 December 2007, the company had an average of 19 days purchases outstanding in trade creditors

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board

Secretary

14 MAY 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the members of SLC Turnberry Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22 These financial statements have been prepared on the basis of the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the Directors' Report is not consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report

to the members of SLC Turnberry Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

1 4 MAY 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	15,952	15,501
Cost of sales		(9,369)	(9,530)
Gross profit		6,583	5,971
Administrative expenses		(7,440)	(7,197)
Operating loss	3	(857)	(1,226)
Interest receivable	6	238	1,556
Interest payable and similar charges	7	(1,288)	(1,162)
Other finance income	8	40	2
Loss on ordinary activities before taxation		(1,867)	(830)
Tax credit on loss on ordinary activities	9	1,142	456
Loss for the financial year		(725)	(374)

The results have been derived wholly from continuing operations in both years

Statement of total recognised gains and losses

for the year ended 31 December 2007

	2007 £000	2006 £000
Loss for the financial year	(725)	(374)
Actuarial (loss)/gain recognised on the pension scheme	(97)	265
Total gains and losses for the financial year	(822)	(109)

Balance sheet
at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	10	34,474	35,550
Investments	11	3,331	3,331
		37,805	38,881
Current assets			
Stocks	12	442	457
Debtors	13	4,104	2,841
Cash at bank and in hand		434	1,465
		4,980	4,763
Creditors amounts falling due within one year	14	15,083	14,853
Net current liabilities		(10,103)	(10,090)
Total assets less current liabilities		27,702	28,791
Creditors amounts falling due after more than one year	15	15,925	16,021
		11,777	12,770
Net pension liability	16	–	(171)
		11,777	12,599
Capital and reserves			
Called up share capital	20	–	–
Capital reserve	21	18,374	18,374
Profit and loss account	21	(6,597)	(5,775)
Equity shareholders' funds	21	11,777	12,599

Director

1 4 MAY 2008

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards

The company has elected under section 229 of the Companies Act 1985 not to consolidate Nitto World Co , Limited as its inclusion is not material for the purpose of giving a true and fair view as the company does not trade

The company had net current liabilities at 31 December 2007 However, the directors have drawn up the financial statements on a going concern basis since Starwood Hotels and Resorts Worldwide, Inc , the ultimate parent undertaking, has confirmed it will provide all necessary financial support to the company for the foreseeable future to enable it to continue trading and to meet its financial obligations as they fall due

Statement of cash flows

The company has taken advantage of the exemption afforded by section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Starwood Hotels & Resorts Worldwide Inc , which prepares consolidated financial statements which are publicly available On this basis the company is exempt from the requirement of FRS 1 to present a statement of cash flows

Related party transactions

As a subsidiary undertaking of Starwood Hotels & Resorts Worldwide Inc , the company has taken advantage of the exemption in FRS 8 'Related party disclosures' not to disclose transactions with other members of the group headed by Starwood Hotels & Resorts Worldwide Inc

Fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Freehold buildings	–	40 years
Fixtures, fittings and equipment	–	2 to 20 years

Investments

Fixed asset investments are shown at cost less provision for impairment

Stocks

Stocks are stated at the lower of cost and net realisable value Provision is made for obsolete, slow moving or defective items where appropriate

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over the shorter of lease term and their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis

Pension schemes

For defined benefit schemes the amounts charged to operating profit are the current service costs and any gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are charged to operating profit immediately if the benefits have vested If the benefits have not vested immediately, the costs are recognised by equal annual instalments until vesting occurs The interest cost and the expected return on assets are included as other finance costs Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Pension schemes (continued)

Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds, or are unfunded Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

Contributions are also made to the SHUK Pension Plan, which is accounted for in the books of SLC Turnberry Limited as a defined contribution scheme, as a fixed contribution is made to the scheme and any surpluses or deficits are borne by Sheraton Hotels (UK) plc

Share based payments

Equity settled transactions

The cost of equity settled transactions – restricted stock – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award Fair value is determined by using market values The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity

Cash settled transactions

The cost of cash settled transactions – stock options – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the stock options becomes fully vested Fair value is determined by using market values As this entity does not have a specific liability to make a cash payment to it's employees to settle the award, the expense at the balance sheet date is recognised in the income statement with a corresponding entry in equity

2 Turnover

Turnover comprises amounts derived from the provision of goods and services falling within the company's ordinary activities after deduction of value added tax, other sales related taxes and trade discounts Turnover arises solely from the company's principal activity within the United Kingdom

3 Operating loss

This is stated after charging/(crediting)

	2007	*2006*
	£000	*£000*
Auditors' remuneration – audit services	48	43
Depreciation of owned fixed assets	1,639	1,555
Deprecation of assets held under finance leases and hire purchase contracts	20	48
Operating lease rentals – plant and machinery	98	119
Rental income	(6)	(6)

Notes to the financial statements

at 31 December 2007

4 Staff costs

	2007 £000	2006 £000
Wages and salaries	6,504	6,419
Social security costs	585	491
Other pension costs	40	49
Share based payments	53	50
	7,182	7,009

The monthly average number of employees during the year was 322 (2006 – 342)

5. Directors' emoluments

	2007 £000	2006 £000
Emoluments	159	185

	2007 No	2006 No
Members of defined benefit pension schemes	–	–

6. Interest receivable

	2007 £000	2006 £000
Interest receivable	98	80
Foreign exchange gain on promissory note	140	1,476
	238	1,556

7. Interest payable and similar charges

	2007 £000	2006 £000
On intercompany loans (note 15)	406	424
On promissory note (note 15)	877	732
Finance charges payable under finance leases and hire purchase contracts	5	6
	1,288	1,162

Notes to the financial statements

at 31 December 2007

8. Other finance income

	2007 £000	2006 £000
Expected return on pension scheme assets	273	224
Interest on pension scheme liabilities	(233)	(222)
	40	2

9. Taxation on ordinary activities

(a) Tax credit on loss on ordinary activities

The tax credit is made up as follows

	2007 £000	2006 £000
Current tax		
Group relief receivable	(1,258)	(568)
Tax underprovided in previous years	116	112
Total current tax credit (note 9(b))	(1,142)	(456)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities is higher (2006 – higher) than the standard rate of corporation tax in the UK of 30 % (2006 – 30%) The differences are reconciled below

	2007 £000	2006 £000
Loss on ordinary activities before taxation	(1,867)	(830)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 % (2006 – 30%)	(560)	(249)
Expenses not deductible/(income not taxable) for tax purposes	(88)	(189)
Capital allowances less than/(in advance) of depreciation	54	(53)
Pensions timing difference	(80)	(77)
Other timing differences	(584)	–
Tax under provided in previous years	116	112
Total current tax credit (note 9(a))	(1,142)	(456)

(c) Factors that may affect future tax charges

From 1 April 2008 the rate of UK corporation tax will reduce from 30% to 28%

Notes to the financial statements
at 31 December 2007

9. Taxation on ordinary activities (continued)

(d) Deferred tax

Deferred tax is provided at 28% (2006 – 30%) in the financial statements as follows

	2007	2006
	£000	£000
Accelerated capital allowances	4,582	4,988
Other timing differences	(946)	(1,877)
Brought forward trading losses	(3,636)	(3,111)

The company has further trading losses carried forward resulting in a deferred tax asset of £331,000 (2006 – £1,139,000) This is not recognised as there is no certainty of suitable taxable profits in the future against which the losses can be offset

10 Tangible fixed assets

	Freehold land and buildings £000	*Fixtures fittings and equipment £000*	*Total £000*
Cost			
At 1 January 2007	41,345	6,305	47,650
Additions	148	435	583
At 31 December 2007	41,493	6,740	48,233
Depreciation			
At 1 January 2007	8,654	3,446	12,100
Provided during the year	1,119	540	1,659
At 31 December 2007	9,773	3,986	13,759
Net book value			
At 31 December 2007	31,720	2,754	34,474
At 31 December 2006	32,691	2,859	35,550

The net book value of assets above includes an amount of £28,000 (2006 – £48,000) in respect of assets held under finance leases and hire purchase contracts

Notes to the financial statements
at 31 December 2007

11. Investments

	Subsidiary undertaking £000
Cost	
At 1 January 2007 and 31 December 2007	3,331

The above investment represents the company's investment in the following subsidiary undertaking

	Country of registration	*Principal activity*	*Description and proportion of share capital*
Nitto World Co , Limited	England	Non trading	100% ordinary share capital

12 Stocks

	2007 £000	*2006 £000*
Finished goods and consumables	442	457

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date

13 Debtors

	2007 £000	*2006 £000*
Trade debtors	488	338
Other debtors	12	27
Prepayments and accrued income	144	157
Amounts owed by other group undertakings	3,460	2,319
	4,104	2,841

Notes to the financial statements

at 31 December 2007

14 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Obligation under finance leases and hire purchase contracts (note 18)	22	27
Trade creditors	543	420
Other taxation and social security	178	163
Amounts owed to other group undertakings	12,962	12,949
Accruals and deferred income	1,378	1,294
	15,083	14,853

Amounts owed to other group undertakings include a loan of £2,100,000 (2006 – nil) from Sheraton Hotels (UK) plc The loan is charged at LIBOR plus 1 4% and is repayable on 31 December 2008

15 Creditors: amounts falling due after one year

	2007 £000	2006 £000
Obligations under finance leases and hire purchases contracts (note 18)	7	32
Amounts owed to other group undertakings	10,665	10,665
Promissory note	5,253	5,324
	15,925	16,021

Amounts owed to other group undertakings include a loan of £1,000,000 (2006 – £1,000,000) from Sheraton Hotels (England) Limited and a loan of £9,665,000 (2006 – £9,665,000) from Sheraton Hotels (UK) plc

The £1,000,000 loan from Sheraton Hotels (England) Limited bears interest at LIBOR plus 3 20% and is repayable on 17 October 2010

The loan from Sheraton Hotels (UK) plc is charged at LIBOR plus an additional variable margin and is repayable on 8 March 2011

The promissory note is payable to Starwood Hotels and Resorts Worldwide Inc, is denominated in USD and repayable on 23 December 2009 This was repaid in January 2008

Notes to the financial statements

at 31 December 2007

15. Creditors. amounts falling due after one year (continued)

Borrowings are repayable as follows

	2007	*2006*
	£000	*£000*
Promissory note		
In less than one year	–	32
In more than two years but not more than five years	5,253	5,324
	5,253	5,356
Intercompany loans		
In two to five years	10,665	10,665
	10,665	10,665

16. Net pension liability

The company provides pension arrangements for certain permanent employees through the Turnberry Hotel Pension Scheme

On 31 March 2006, the scheme was closed to future accrual The scheme is being funded by contributions from the company of £228,000 per annum

The most recent actuarial valuation was as at 31 December 2005 and has been updated by a qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2007 Scheme assets are stated at their market value at the respective balance sheet dates

	2007	*2006*	*2005*
	%	*%*	*%*
Main assumptions			
Rate of increase in salaries	–	–	–
Rate of increase in pensions in payment	3 25	3 0	2 8
Rate of increase in deferred pensions	3 25	3 0	2 8
Discount rate	5 5	5 0	4 8
Inflation assumption	3 25	3 0	2 8

Notes to the financial statements

at 31 December 2007

16 Net pension liability (continued)

The assets and liabilities of the scheme and the expected rate of return at 31 December are shown below These are net of investment management expenses As other expenses are paid separately by the Company, no account is taken of these

	2007		*2006*		*2005*	
	Long term rate of return expected	*Value*	*Long term rate of return expected*	*Value*	*Long term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*	*%*	*£000*
Equities/property	6 5	2,496	6 5	3,278	6 0	2,926
Bonds	4 75	2,423	4 5	1,257	4 0	1,114
Cash	5 25	6	4 75	37	4 3	4
Total market value of assets		4,925		4,572		4,044
Present value of scheme Liabilities		(4,700)		(4,743)		(4,735)
Pension surplus/(liability)		225		(171)		(691)

The pension surplus has not been recognised, as the company is not expected to be able to recover the surplus

An analysis of the defined benefit cost for the year ended 31 December is as follows

	2007	*2006*
	£000	*£000*
Current service cost	–	(12)
Total operating charge	–	(12)
Other finance costs Expected return on pension scheme assets	273	224
Other finance costs Interest on pension scheme liabilities	(233)	(222)
Total other finance income/(costs)	40	2

The following amounts are included in the statement of recognised gains and losses

Actual return less expected return on pension scheme assets	32	154
Experience gains/(losses) arising on scheme liabilities	(77)	111
Adjustment due to surplus cap	(225)	–
Loss arising from changes in assumptions underlying the present value of scheme liabilities	173	–
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(97)	265

Notes to the financial statements

at 31 December 2007

16. Net pension liability (continued)

Analysis of movements in deficit during the year

	2007	*2006*
	£000	*£000*
At 1 January	(171)	(691)
Total operating charge	–	(12)
Total other finance income/(costs)	40	2
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	(97)	265
Contributions	228	265
At 31 December	–	(171)

History of experience gains and losses

	2007	*2006*	*2005*	*2004*	*2003*
Difference between expected return and actual return on pension scheme assets					
– amount (£000)	32	154	455	114	30
– % of scheme assets	1 0	3 0	11 0	3 0	9 8
Experience gains/(losses) arising on scheme liabilities					
– amounts (£000)	(77)	111	345	56	–
– % of the present value of scheme liabilities	2 0	2 0	7 0	1 0	–
Total actuarial losses recognised in the statement of total recognised gains and losses					
– amount (£000)	(97)	265	43	(53)	(21)
– % of the present value of scheme liabilities	(2 1)	6 0	1 0	(1 0)	(0 6)

Notes to the financial statements

at 31 December 2007

17. Share based payments

Certain employees are granted stock options and restricted stock in the equity of the ultimate parent undertaking, Starwood Hotels & Resorts Worldwide Inc The number of stock options and restricted stock received depends upon grade level and performance The employees will receive cash or equity (depending on the scheme) that is linked to the price of equity instruments of the parent undertaking It is the parent undertaking that is obliged to make the payments to the employees

The company recognised a charge for employee compensation expense of £53,000 (2006 – £50,000) during the year The awards are settled by the parent company and the employee compensation expense is recharged to SLC Turnberry Limited over the vesting period At the period end the company has no direct liability to settle the awards through cash or equity

2004 Long Term Incentive Compensation Plan

Stock options have a vesting schedule, typically of 4 years at 25% per annum The expiry date of stock options is 8 10 years after vesting Stock options entitle the employee to a future cash payment which can be redeemed at any time between vesting and expiry Market values are used to calculate the stock values at date of grant

Restricted stocks generally vest after 3 years There is no expiry period on restricted stocks Restricted stocks are equity settled once the vesting period has expired Market values are used to calculate the stock values at date of grant

All stocks are traded in the USA and valued in US Dollars An exchange rate of 1 997 as at 31 December 2007 has been used to convert all values to sterling

The following table illustrates the number and weighted average exercise process (WAEP) and movements in stock options during the year

	2007	*2007 WAEP*	*2006*	*2006 WAEP*
	No	*£*	*No*	*£*
Outstanding as at 1 January	29,525	18 54	27,395	17 96
Granted during the year	1,317	33 46	2,130	31 17
Forfeited during the year	–	–	–	–
Exercised during the year	(20,879)	36 37	–	–
Expired during the year	–	–	–	–
Outstanding as at 31 December	9,963	24 76	29,525	18 91
Exercisable as at 31 December	–	–	17,213	16 38

The weighted average share price at the date of exercise for the options exercised in 2007 is £36 37 (2006 – £nil)

The weighted average fair value per option for options granted during 2007 was £10 29 (2006 £8 23)

The fair value of the options granted is determined using a lattice valuation model The following table lists the inputs to the model used for the years ending 31 December 2007and 31 December 2006

Notes to the financial statements

at 31 December 2007

17 Share based payments (continued)

	2007	*2006*
Dividend Yield	1 40%	1 41%
Volatility		
Near term	25%	26%
Long term	37%	40%
Expected Life	6 years	6 years
Yield Curve (risk free interest rate)		
6 month	5 12%	4 68%
1 year	4 96%	4 66%
3 year	4 55%	4 58%
5 year	4 52%	4 53%
10 year	4 56%	4 58%

The dividend yield is based on historical data for the 12 month period immediately prior to the date of the grant

The estimated volatility is based on a combination of historical share price volatility as well as implied volatility based on market analysis The expected life represents the period that the parent company's (Starwood Hotels and Resorts Worldwide) stock based awards are expected to be outstanding

The expected life represents the period that the parent company's stock based awards are expected to be outstanding It was determined based on an actuarial calculation which was based on historical experience, giving consideration to the contractual terms of stock based awards and vesting schedules

The yield is based on the implied zero coupon yield from the US Treasury yield curve over the expected term of the option

For the share options outstanding as at 31 December 2007, the weighted average remaining contractual life is 9 3 months (2006 – 12 7 months)

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	2007	*2006*
	£000	*£000*
Amounts payable		
Within one year	26	32
In two to five years	8	37
	34	69
Less finance charges allocated to future periods	(5)	(10)
	29	59
Finance leases and hire purchase contracts are analysed as follows		
Current obligations (note 14)	22	27
Non current obligations (note 15)	7	32
	29	59

Notes to the financial statements

at 31 December 2007

19. Commitments under operating leases

At 31 December 2007 the company had annual commitments under non cancellable operating leases as set out below

	Assets other than land and buildings	
	2007	*2006*
	£000	*£000*
Operating leases which expire		
Within one year	4	38
In two to five years	67	90
	71	128

20. Share capital

	2007	*2006*
Authorised	*£000*	*£000*
Ordinary shares of £1 each	–	–

	2007	*2007*	*2006*	*2006*
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
Ordinary shares of £1 each	2	–	2	–

21. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	*Capital redemption reserve £000*	*Profit and loss account £000*	*Total share holders' funds £000*
At 1 January 2006	–	18,374	(5,666)	12,708
Loss for the year	–	–	(374)	(374)
Actuarial gain recognised on pensions	–	–	265	265
At 31 December 2006	–	18,374	(5,775)	12,599
Loss for the year	–	–	(725)	(725)
Actuarial loss recognised on pensions	–	–	(97)	(97)
At 31 December 2007	–	18,374	(6,597)	11,777

Notes to the financial statements

at 31 December 2007

22. Ultimate parent undertaking

The immediate parent undertaking is SLC Operating Limited Partnership

The smallest and largest group in which the results of SLC Turnberry Limited are consolidated, is that headed by Starwood Hotels and Resorts Worldwide, Inc , a company incorporated in the United States of America The consolidated financial statements of this group are available to the public at Starwood Hotels & Resorts Worldwide Inc , Investor Relations, 1111 Westchester Avenue, White Plains, NY 10604, USA